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Former USSR Update

Agriculture and Trade Report

Economic Research Service
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Total former Soviet Union (FSU) agricultural imports in 1993/94 are down substantially from a year ago, with grain imports estimated at 29 million tons, the lowest in over 15 years.¹ U.S. fiscal 1993 agricultural exports to the region are estimated down over 40 percent from fiscal 1992, the lowest since fiscal 1987. Continued hard currency constraints, increased 1993 crop production, stable grain procurements, decreasing enterprise dependence on State supplies, further contractions in the livestock sector, reduced State subsidies on food imports, and decreased consumer demand for many food products may further dampen the FSU's import demand for agricultural products into 1994.

The FSU's gross agricultural output may fall less in 1993 than the 10-percent decline recorded in 1992, given this year's estimated larger grain, oilseed, sugarbeet, and cotton crops, and smaller contractions in the region's livestock sector.

Crop yields rose in some States in 1993, benefitting from improved weather, despite sharp declines in the output and reported use of farm inputs. Fertilizer deliveries to Russian farms have fallen from over 14 million tons in 1987 to around 5 million tons in 1993, with the largest drop in 1992. Despite the nearly two-thirds drop in fertilizers, grain yields have generally increased and oilseed yields have declined little. Annual tractor and combine deliveries to Russian farms have fallen over a third since 1987. The lack of yield damage from greatly reduced fertilizer and other input supplies illustrates how little the excessive and inefficient use of poor-quality inputs contributed.

Total grain sales to State procurement centers should at least match 1992's roughly 59 million tons, although procurements began to slow by late August due to increasing delays in State payments to farms.

1/ The former Soviet Union (FSU) refers to the sum of all 15 States of the former Soviet Union. The Commonwealth of Independent States (CIS) is an organization comprised of all States of the FSU, except the Baltic States and Georgia.

Contractions in the FSU's livestock sector continued in 1993 as producers experienced continuing low profitability (despite large State support), and consumer demand for meat fell further. However, much of the contractions are occurring without needed restructuring as large State subsidies continued to keep most livestock producers afloat in nearly all republics, and the year-to-year drop in the production of meat was less than last year. Some improvement began to show in Russia's livestock sector during the first half of this year as some animal productivity stabilized.

FSU 1993 Grain Harvest Estimated Up Slightly

As of October 1993, USDA estimated total FSU grain output at 192 million tons, up 6 million from 1992 and about 12 million higher than the 1988-92 average of 180 million tons (in cleanweight, including wheat, coarse grains, and milled rice). Favorable weather during the growing season and ample moisture boosted grain yields significantly higher than last year in many parts of the FSU. Total grain area, however, slightly declined. The drop in winter crop area was nearly offset by larger spring grain area.

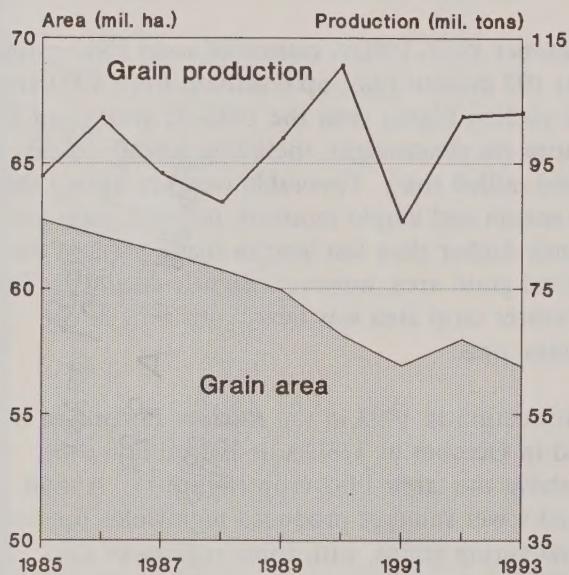
Grain production in 1993 in the *Russian Federation* was estimated in October by USDA at 103 million tons, slightly above the large 1992 crop (figure 1). A mild winter and a wet summer produced high yields for both winter and spring grains, with some regions of the Russian Federation reporting record yields. However, above-average precipitation (rain and snow) during the harvest this year is estimated to have reduced both the original size and quality of the crop.

The 1993 *Russian* grain area was slightly smaller than a year earlier, as reduced winter grain area was not entirely offset by increased spring grain area. Private farms accounted for a significant share of the increased spring grain area. In 1992, grain crops were substantially more profitable than other crops, providing farmers with

incentive to expand spring grain area and to keep total grain area close to that of 1992. In addition, the Russian Supreme Soviet budgeted credits to farms totaling 1.3 trillion rubles to assist with the 1993 harvest. (In September 1993, \$1.00 = 1,000 Russian rubles.) This was on top of the sharply increased procurement prices and the array of subsidies the Government offered to farms which sold their grain to the State.

In July 1993, **Russian** State procurement prices for hard wheat (grade 3) were raised from the May price of 30,000 rubles (\$32) per ton to 60,000 rubles (\$60). In September, the price was raised to 77,000 rubles (\$77). It is not certain whether the State will substantially raise procurement prices again before the end of the year. Overall, hard wheat prices rose more than 140 percent in the May-September period in real dollar terms and were closer to the world market price than other major grains. Coarse grain prices were raised by similar percentages, but remained below wheat prices and world market prices.

Figure 1
Total Grain Area and Production,
Russian Federation



In cleanweight, including wheat, coarse grains, and milled rice.
Source: USDA, 1993 is forecasted.

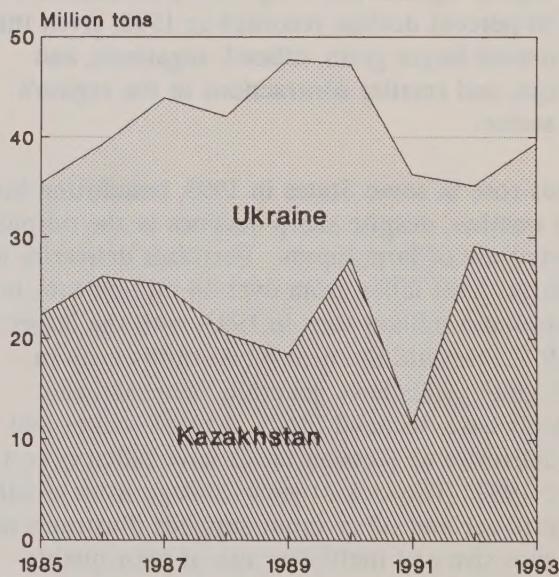
Abundant rain supplies during the summer should provide good soil moisture for winter crop planting this autumn. However, as of late September, Russian winter grain seeding and fall plowing for the 1994 harvest were about 25 percent behind last year because of weather-related delays in harvesting the 1993 crop and above-average rainfall which prevented field work.

In **Ukraine**, 1993 grain output is estimated at 39.4 million tons, about 10 percent above the 1992 and 1991 crops, but still more than 5 percent below the 1988-92 annual average (figure 2). Adequate moisture produced yields substantially above last year in many parts of the country, however, the quality of grain is reportedly lower than last year.

The 1993 grain area in Ukraine was slightly increased from the preceding year. Much higher grain prices provided incentives for farmers to increase grain area. In addition, the government allocated farms 80 percent of the fuel in the republic, as well as more mineral fertilizers, plant protection agents, tractors, and sowing machines than in 1992. Prior to the harvest, the Cabinet of Ministers passed a special decree to provide petroleum products directly to farms in order to avoid markups by middlemen.

As of early October 1993, Ukraine's winter grain sowing for the 1994 harvest was almost 10 percent ahead of last year.

Figure 2
Total Grain Production
Ukraine and Kazakhstan



In cleanweight, including wheat, coarse grains, and milled rice.
Source: USDA, 1993 is forecasted.

Kazakhstan's grain crop is estimated at just over 27 million tons, about 2 million below the near-record 1992 crop. Kazakhstan experienced highly favorable weather conditions throughout the growing season. Above-average rains during the summer provided ample moisture to boost yields. However, much wetter than normal weather in the key growing areas in September

and October created numerous problems in harvesting the abundant crop, resulting in above-average losses.

Total grain area in 1993 declined only marginally, although the mixture of crops was altered in order to increase coarse grain output. Area planted to spring barley was increased by more than 20 percent. Spring wheat area was reduced by almost 10 percent, and millet area was cut by nearly half.

The 1993 grain crop in **Belarus** is estimated almost 10 percent above the bumper 1992 harvest (7 million tons), with area up slightly. In order to successfully carry out the harvest, Belarus used \$10 million in International Monetary Fund credits to buy fuels from Russia.

In **Moldova**, grain output is estimated up almost a million tons from the poor 1992 crop that suffered from a severe drought. The 1993 grain crop in the **Central Asian** republics is estimated to be almost 15 percent larger than last year's 4.5-million-ton crop, mainly because of expansion in sown area. In the last few years, the Central Asian republics have been increasing grain area in order to rely less heavily on imports.

Despite the political turmoil in the **Transcaucasus**, the estimated 1993 crop (2 million tons) is largely unchanged from a year earlier, and in the **Baltics**, grain production is estimated to be more than 30 percent above the drought-reduced 1992 crop of 3.6 million tons.

Strong 1993 FSU Grain Procurements Could Dampen Import Demand

Total FSU State procurements of grain in 1993 should at least match 1992's nearly 59 million tons, despite growing delays in State payments to farms during this year's harvest. A strong showing for procurements in 1993 should weaken import demand. As State enterprises, largely dependent on grain supplies from the State in the past, increasingly have developed direct ties with domestic producers and alternative suppliers, there will be less need for grain from State procurements and imports.

Most FSU countries raised grain procurement prices this year in nominal and real terms, in some cases above domestic market prices, in order to entice farms to sell their grain to the State. The **Russian** procurement price for average-quality hard wheat (grade 3) during September 1993 was 77,000 rubles (\$77) per ton, and was set to rise with inflation each month forward. However, in October the Russian Government signalled its intention to eliminate further indexing of prices to inflation.

Belarus raised 1993 grain procurement prices 10 times from 1992 in ruble terms, to an average 106,000 rubles per ton. Procurement prices in **Moldova** were 110,000-240,000 rubles per ton, reportedly the highest in the CIS. **Ukraine** set procurement prices in August at an average 500,000 karbovantsi per ton, in addition to offering farms free grain storage, bonuses for meeting State orders, and numerous rebates on purchases of inputs--incentives similar to those offered in most of the other FSU States. Prices in **Kazakhstan** were running well below those in Russia.

Based on much higher procurement prices, **Russian** grain sales to the State were initially very strong as the harvest began this year. State procurement prices were even set substantially above Russian commodity exchange prices. However, by mid-August the pace of grain sales to the State began to noticeably diminish, as the State increasingly failed to make timely payments to farms. By the end of August, the State had incurred large debts to Russian farms as funds allocated for purchasing grain proved inadequate. Although Roskhleboprodukt estimated that 3-5 trillion rubles (about \$3-\$5 billion) were required to purchase the planned Russian federal and regional grain procurements, less than 1 trillion rubles were allocated from the federal budget at the end of September.

Despite the growing reluctance to continue grain sales to the State, **Russian** farms are likely to at least match the 27 million tons sold to the State last year. For many farms, there are few alternatives to selling to the State, particularly given stocks of grain left over from 1992 on some farms. By the end of September, Russian procurements were already approaching 22 million tons. In the same period, procurements in **Ukraine** had already exceeded 1992's 11 million tons, with over 13 million procured out of a planned 14-14.5 million. **Kazakhstan** set 7 million tons as its 1993 State procurement target, down from last year's 10-million-ton plan. Grain procurements were approaching 5 million tons in late September.

Russian Forage Crop Supplies Exceed 1992, Decline in State Mixed Feed Output Slowing

Production of coarse (hay, haylage) and succulent (corn silage, greenchop, root crops) feeds in the **Russian Federation** totaled 33.6 million tons (standard feed units) at the end of August, 6 percent above the same time in 1992. Reflecting this year's increased forage crop and reduced livestock inventories, the amount of forage per head of standard animal was 9.7 quintals, up 15 percent from 8.4 at the end of August 1992.

While total Russian feed supplies are up significantly due to the rise in output of grain and forage crops, State production of mixed feeds continued its downward spiral this year, although the year-to-year drop is less than half that recorded during the whole of 1992. Mixed feed output during the first 6 months of 1993 was 13 percent below the same period in 1992.

Fall in CIS Meat Output Lessens, Productivity of Russian Livestock Sector Stabilizing

After sharp declines last year in FSU livestock inventories, animal productivity, and meat output, some contractions in the livestock sector began to lessen by mid-1993. The liberalization of prices and the reduction of subsidies significantly worsened the livestock sector's terms of trade in 1992. A poor 1991 grain crop and sharply reduced consumer demand for meat compounded the problems faced by the livestock sector last year. Most FSU livestock producers remained afloat financially solely due to the reintroduction of State subsidies in mid-1992, and thus avoided further restructuring. With continued State support of livestock farms this year, increased grain output and a lessening of the decline in consumer demand for livestock products (as the fall in real income slows), contractions could slow late in 1993 and into 1994.

The decline in meat output in the Commonwealth of Independent States (CIS) lessened during the first half of 1993, partly the result of increased inventory drawdowns and some stabilization of animal productivity. In the first half of 1993, meat output by State-sector farms in the CIS dropped by only 13 percent (compared with 20 percent for all of 1992). State output of milk in the CIS dropped 11 percent (compared with 18 percent in 1992), and egg production dropped by 12 percent (compared with 17 percent in 1992). However, total CIS animal inventories in the State sector were down by larger percentages this year than last. In nearly all republics, growth of animal inventories on privately held land continued to partly offset the contractions in the State sector.

Cattle inventories in the *Russian* State sector fell 9 percent from a year ago (July 1) versus an 8-percent drop during all of 1992. Inventories of cows were down 7 percent on July 1, 1993, similar to the drop in 1992. Hog numbers fell 17 percent, 2 percent more than for all of 1992. Poultry numbers, however, down about 15 percent in 1992, actually rose about 1 percent as of July 1, indicating the decline may have started to bottom out.

Following 3 consecutive years of declining productivity, units of output per animal appear to have stabilized in Russia in mid-1993. Eggs per layer (down 3 percent in

1992), average daily weight gain per cattle (down 14 percent last year), daily weight gain per hog (down 12 percent in 1992), and milk output per cow (down 13 percent in 1992) have largely stabilized in Russia during the first half of 1993 (table 1).

Reflecting the stabilization of cattle and sheep productivity in *Russia*, beef, veal, and lamb output is down much less this year than last year. However, larger decreases in hog inventories this year than last have resulted in greater reductions in pork production during the first half of 1993, despite the leveling off of productivity.

The *Russian* livestock sector may soon face additional shocks as higher grain procurement prices translate into increased mixed feed prices. If the State reduces subsidies to livestock producers for mixed feed purchases, as is currently being discussed, the sector would likely undergo further downsizing.

Table 1 -- Livestock productivity, State sector, Russia

	Annual eggs/layer	Avg. daily wgt. gain/ cattle	Avg. daily wgt. gain/ hog	Annual milk output/ cow
	Eggs	Grams	Grams	Kilograms
1989	242	na	na	2,773
1990	236	456	345	2,784
1991	231	429	328	2,576
1992	224	371	288	2,246
1993 1/	224	370	288	2,224

1/ Estimate based on 6 month data for 1993.

Source: Goskomstat Rossii.

Oilseed Production Rebounds in 1993

USDA's October estimate of total 1993 FSU oilseed output is up over 10 percent from about 10 million tons in 1992. Estimates of 1993 yields are up from 1992's poor performance, while the total oilseed area is estimated slightly down.

Sunflowerseed production in 1993 in the FSU is estimated at 6.4 million tons, compared to 5.5 million tons last year. Because of favorable weather conditions during the growing season, 1993 sunflower yields rose above the depressed 1992 yields, particularly in *Russia* and *Ukraine*, the main sunflower producers in the FSU. Total 1993 sunflower area was largely unchanged.

Following a substantial increase in 1992 in the *Russian Federation*, sunflower area remained at about the same

high level in 1993. From the end of the 1992 harvest through May 1993, the Russian procurement price for sunflowerseed increased faster than any other major crop, thus maintaining interest in growing sunflowerseed. However, soybean prices actually decreased in real terms during this period, possibly the cause of reduced soybean area in 1993.

In September 1993, the sunflowerseed procurement price was raised to 100,000 rubles (\$100) per ton, and the soybean price was raised to 136,000 rubles (\$136). Both were up more than 100 percent from May in real dollar terms, although both were substantially below world market prices.

USDA is projecting 1993/94 (October/September) FSU soybean imports at 150,000 tons, about 60 percent of the 1992/93 estimate, and soymeal imports at 1.69 million tons, up almost a third from 1992/93. FSU vegetable oil imports in 1993/94 are estimated down 20 percent from 1992/93's 1.2 million tons. *Russia* and *Ukraine* account for most of these imports, which are mainly financed through concessional credit and donations.

Sugarbeet and Cotton Production Top 1992

FSU sugarbeet production in 1993 is estimated up about 15 percent from 1992, as increased yields offset the decline in sugarbeet area. However, the sugar content of beets is reportedly down in many regions, due to above-average precipitation during the summer, which will mitigate the overall rise in sugar output. In *Ukraine*, the main sugarbeet region of the FSU, 1993 output is estimated up about 30 percent from the preceding year.

In *Russia*, 1993 sugarbeet output is estimated largely unchanged from 1992. Yields are estimated up from last year, but area fell nearly 15 percent. The area decline may partly reflect the low profitability and procurement prices faced by beet producers in 1992. In September 1993, however, Russian sugarbeet procurement prices were raised 150 percent in real terms above May 1993 prices, to 20,000 rubles (\$20) per ton. This is still only half the U.S. farm price of about \$40 per ton. The hike in sugarbeet procurement prices was considerably larger than for other crops and may provide an incentive for Russian farmers to plant more sugarbeets in 1994.

FSU sugar imports (both cane and refined) in 1993/94 are projected at 4.7 million tons (raw value), down from the 1992/93 estimate of 6.1 million. Higher output, lower consumption, and financing constraints account for much of the decline. In addition, the removal of import subsidies for processors in Russia makes imports more expensive and should dampen demand for unrefined sugar. First-half 1993 import data for the *Russian*

Federation show non-FSU raw sugar imports down 23 percent from the corresponding period in 1992, while refined sugar imports fell 30 percent. Russian sugar imports have also declined because oil is increasingly exported for hard currency rather than bartered for sugar and other goods.

FSU lint cotton production is estimated at 2.2 million tons, an increase of about 7 percent from 1992. The 1993 yields are estimated to be above 1992, while area remained largely unchanged. In *Uzbekistan*, the largest FSU cotton producer, the decline in cotton area is much less than in past years.

USDA projects 1993/94 FSU cotton exports at nearly 2 million tons, about a 5-percent increase from 1992/93. While the *Central Asian* republics are exporting cotton on the world market for hard currency or in barter exchanges, they are receiving lower prices than most cotton exporters. For example, during the first 6 months of 1993, the average price of Central Asian cotton exported on the world market was over 10 percent less than the average price of U.S. cotton exports. This difference is largely due to lower quality and the use of cotton in barter transactions, which distorts prices.

Russia, which is receiving lower cotton imports from Central Asia, is expected to import about 700,000 tons in 1993/94 for its textile industry, some of which could come from the United States.

Despite Further Contractions in Russian Input Sector, Most Crop Yields Improve

In spite of constant reports during 1993 of sharp declines in the availability and use of farm inputs, most crop yields rose in the *Russian Federation*. More favorable weather accounted for most of the rise in yields, but it is also likely that more timely and efficient use of inputs (the result of much higher costs) contributed to the improved performance. In addition, given the extensive waste and misuse of inputs in the past, along with the likely existence of on-farm stocks of inputs built up in past years, the actual decline in input use during the last 2 years may be overstated.

Partly in response to reduced demand and rising energy costs, *Russia* output of mineral fertilizers was down 16 percent for the first half of 1993, compared to the same period in 1992. The decline was comprised of a 12-percent drop in output of nitrogen fertilizer, a 22-percent fall in phosphate fertilizer, and a 21-percent decline in potassium fertilizers. The 1993 changes compare to a much larger 27-percent decline in mineral fertilizer output in 1992 (11 million tons) from 1991 (15 million tons). Moreover, the marked drop in Russian fertilizer exports during the first half of 1993 offset much of the

decline in output. Russian exports of nitrogen fertilizer during the first 6 months of 1993 were down a third, and potash fertilizer exports about 40 percent from the same period in 1992.

In 1992, reported deliveries of mineral fertilizers to *Russian* farms totaled just over 5 million tons, down about 50 percent from 10.1 million tons in 1991, and about two-thirds from 14.1 million in 1987. The reduced output of plant protection agents (PPA) (27,000 tons) during the first half of 1993, down 28 percent from the same period in 1992, was compounded by a 35-percent decrease in PPA imports.

Although decreased use of inputs this year may not have damaged crop yields, disruptions in harvesting operations caused by interruptions in the supply of fuel and spare parts did adversely affect crop output. Deliveries of diesel fuel to *Russian* farms during the first 6 months of 1993 were down 17 percent from a year earlier, although supplies of gasoline were up sharply, 17 percent. In 1992, deliveries of diesel fuel to farms were 15.9 million tons, down 20 percent from 1991, and deliveries of gasoline fell to 8.9 million, down 18 percent from the year earlier.

Reduced demand for farm equipment continued to be reflected in falling production of tractors in *Russia*, which fell 12 percent during the first 6 months of 1993. The decline was, however, less than the 23-percent decline in 1992 (137,000 units) from 1991 (178,000). The output of grain combines declined 8 percent during the first half of 1993, while falling a sharp 24-percent in 1992 (42,200 units) from 1991 (55,400).

Although the drop in the output of farm machinery lessened during the first half of 1993, the percentage of machinery on *Russian* farms that was not in working condition rose. While 18 percent of grain combines were inoperable due to mechanical problems in mid-1990, the number rose to 26 percent in 1992, and 32 percent in mid-1993.

Food Processing Sector Responds To Changing Prices

Output of the food processing sector continued its decline during 1993 in all republics of the FSU, as State enterprises continued adjusting to liberalized input and retail prices. However, the slowing of the decline in most food output this year may reflect a lessening in the fall of consumer demand, as the drop in real per capita incomes begins to slow and food waste is reduced.

In *Russia*, the decline in the output of 15 of the 20 primary food products lessened during the first half of 1993. Output of milk and meat in Russian State

enterprises fell 18 and 17 percent, respectively, during the first 6 months of 1993, compared with much larger reductions (24 and 49 percent) last year.

The modifications in enterprises' product mix that began last year also continued in 1993. Given the dramatic changes in consumer preferences during 1992, enterprises shifted production to those meat and dairy products with longer shelf lives, such as cheese, sausage, and butter. In *Russia*, cheese output, which fell over 26 percent in 1992, declined only 1 percent during the first half of 1993. Production of sausages, which fell 27 percent in 1992, actually rose over 10 percent during the first half of this year.

On the other hand, flour production by State enterprises fell in nearly every republic during the first 6 months of 1993. It is unclear whether the decline in State output reflects a decline in total flour production, or whether output of grain products in the non-State sector may have compensated for the fall. It may be possible that flour produced from grain from non-State sources is not accounted for in State output data. Part of the reduced output of flour by State mills likely reflects continued reductions in overall demand, as higher prices cause consumers to further curtail waste and bread purchases for feeding to animals. Given the drop in flour and bread output, it would appear that the decline in the waste and feeding of bread is greater than the reported rise in human consumption of bread.

In the *Russian Federation*, State output of flour and bread during the first half of 1993 fell 20 percent and 15 percent, respectively, from the same period in 1992, both by larger percentages than last year. Russian State subsidies to grain millers are planned to be substantially cut in late 1993 (on October 15, according to recent reports), resulting in additional increases in retail bread prices, and leading to possibly greater reductions in demand. Inflation, alone, is currently rising about 20-30 percent a month. In conjunction with the deregulation of bread prices, the State plans to introduce a special allowance to those on low fixed incomes, thereby providing subsidies to only targeted groups rather than all consumers as in the past.

Despite Setbacks, Private Farms Continue To Expand

On July 1, 1993, 606,000 private farms (*krest'yanskie/fermerskie khozayaistva*) were reported registered in the CIS countries, an increase of about 135,000 from January 1, 1993, the bulk of which were registered in Russia.²

2/ The category "private farms" does not include private land holding defined as "subsidiary plots, and private orchards and gardens".

The number of private farms registered in the **Russian Federation** totaled 261,393 on August 1, 1993, an increase of nearly 80,000 from January 1, 1993. Private farms registered by former military personnel account for 1,600 of the total registered so far this year. Private farms now cover 11 million hectares (5 percent of total agricultural land) in Russia, with each farm continuing to average 42 hectares. Most of the private farms are located in the major grain-producing regions, such as Krasnodar, Stavropol, Saratov, Volgograd, Rostov, Omsk and Altai Krai, and have specialized in crop production rather than animal husbandry. According to some Russian estimates, by 1995 about 650,000 private farms, accounting for 20 percent of the agricultural land, will have been established.

While **Russian** private farms reportedly produced less than 1 percent of the total value of agricultural output in 1992, they accounted for 6 percent of sunflowerseed output and 2 percent of grain and sugarbeet output. In the livestock sector, private farms produced just under 1 percent of total milk and meat output last year. Private farm sales of grain to the State totaled 800,000 tons (out of 2.2 million tons produced) in 1992, or 3 percent of total State procurements.

Faced with numerous obstacles, including difficulties in obtaining credits and inputs, 5,800 private farms in Russia ceased operations during the first 6 months of 1993. This is more than quit in all of 1992 (5,000 private farms).

As of July 1, 1993, registered private farms totaled about 24,600 in **Ukraine**, 14,300 in **Kazakhstan**, 2,600 in **Belarus**, 5,300 in **Uzbekistan**, 16,700 in **Kyrgyzstan**, and 282,000 in **Armenia**.

FSU Grain Imports Projected Down Sharply in 1993/94

In October, USDA projected total FSU grain imports (wheat, coarse grains, milled rice) in 1993/94 at 29 million metric tons, down almost 6 million from the 1992/93 estimate of 34.7 million tons, and the lowest since 1978/79. FSU wheat imports are projected at 18 million tons (down 5 million from 1992/93), while coarse grain imports are forecast at 10.4 million (down 0.7 million).

Reasons for lower 1993/94 imports include: insufficient hard currency earnings and continued problems with debt servicing, 2 years of average to above-average grain production, steady 1993 procurements, decreasing import subsidies, and a contracting livestock sector.

Since **Russia's** suspension from the U.S. GSM-102 credit guarantee program in November 1992, and from similar

programs of other nations during 1992/93, agricultural exports to the FSU have dropped off for most suppliers. USDA estimates of U.S. exports to the FSU in fiscal 1993 are down over 40 percent from fiscal 1992's \$2.7 billion. Almost all FSU agricultural imports are financed through concessional sales and donations.

Russia's Agricultural Imports Severely Cut

Russia's non-FSU trade turnover in the first half of 1993 totaled a reported \$27 billion, down 23 percent from January-June 1992. Slightly higher exports and substantially lower imports allowed Russia to run a \$9.4-billion trade surplus during this period.

Russia's exports in the first half of 1993 totaled \$18.2 billion, up 3 percent from 1992. Energy, machinery and equipment exports made up close to 70 percent of the total. Energy exports increased significantly from the January-June 1992 period, with oil exports up almost one-third. Despite lower world prices in January-June 1993, oil exports earned \$4.2 billion, compared to around \$3 billion in 1992. Russia's per ton price of oil exported during the first 6 months of 1993 was \$110, \$15 to \$20 less than the average world spot price for that period. This difference indicates that some of **Russia's** oil exports were sold below world prices for hard currency or other goods in barter arrangements.

Table 2 -- Agricultural imports, Russian Federation 1/

Commodity	Quantity	Value	As a % of 1992
	1,000 tons	\$ million	Percent
Meat	38	57.9	26
Poultry	4	3.3	13
Butter	25	36.5	317
Citrus fruit	56	21.0	192
Apples	11	6.2	20
Coffee	5	10.6	47
Tea	18	39.0	63
Grain	8,000	1,165.0	53
Wheat	5,100	765.0	55
Corn	1,800	286.0	80
Wheat flour	49	11.9	7
Soy oil	11	9.5	19
Sunflower oil	29	17.0	7
Raw sugar	1,197	341.0	77
White sugar	395	160.0	70
Pasta	66	44.9	39

1/ January-June 1993; does not include FSU trade.
Source: Goskomstat Rossii.

First-half 1993 imports came to \$8.8 billion, nearly half of January-June 1992 levels. Imports of certain agricultural commodities dropped over 90 percent (table 2). Grain imports, which make up most of Russia's agricultural purchases, equalled 8 million tons and fell

nearly 50 percent from first-half 1992. Imports of machinery and equipment fell more than 60 percent, and made up 30 percent of total imports. In 1992, machinery and equipment imports comprised nearly 40 percent of the total.

FSU Inter-Republic Trade Still in Decline

Despite numerous bilateral and multi-lateral trade agreements, FSU interregional trade has not stabilized. According to the CIS Statistical Committee, official 1992 Government-to-Government trade flows between the republics continued to decrease. This disruption in trade can be attributed to the economic reforms being implemented in the republics that have significantly affected production and consumption, the creation of trade barriers and continued State control of trade, the introduction of new currencies without developing a clearing mechanism, and civil wars that are taking place in several regions of the FSU. However, it should be noted that official statistics do not account for the increasing volume of trade that is taking place outside State channels.

Another reason for lower FSU intratrade is the diversion of raw materials, such as oil, natural gas, and cotton, to the world market where republics can earn hard currency at world prices. For example, *Russia's* export of oil to other FSU republics during January-June 1993 has fallen over 40 percent from 1992, while exports to non-FSU countries during the first 6 months of 1993 have increased by a factor of 1.3. Over 50 percent of total Russian oil, gas, and coal exports went to non-FSU countries during this period.

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Interrepublic trade of foodstuffs has also fallen off since the breakup of the USSR. According to the CIS Statistical Committee, the volume of 1992 inter-republic trade of meat, milk, fish products, and fruit was one-fourth the level of 1989 trade, while supplies of potatoes, fruit preserves, flour, and groats were one-tenth of 1989 trade. Exports (to other FSU States) of sugar from *Ukraine*, tea from *Georgia* and *Azerbaijan*, grain products from *Kazakhstan*, *Russia*, and *Ukraine*, and fruits, vegetables, and potatoes from *Kyrgyzstan*, *Tajikistan*, and *Moldova* have fallen off significantly.

FSU Agricultural Imports Likely To Remain Low

The outlook for FSU agricultural imports next year is not likely to change significantly from this year. With continuing hard currency constraints, an estimated increase in 1993 crop production, reduced consumer food demand, stable grain procurements, a contracting livestock sector, declining enterprise dependence on State commodity supplies, and Government policies to cutback import subsidies for processors, imports are unlikely to pick up substantially in 1994. The FSU republics will continue to rely on concessional financing, donations, and barter to purchase agricultural commodities. However, some donor nations are expected to decrease the amount of agricultural credits and donations and focus instead on technical assistance. While little improvement is expected in the short-run, longerterm prospects for the resumption of interrepublic trade are good, as the FSU countries move towards more effective trade policies and a payments system.

For further information, contact Christian J. Foster, Sharon S. Sheffield, or Jaclyn Y. Shend, Former Soviet Union Section/Europe Branch/ATAD, (202)-219-0620.

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